

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Children's Institute, Inc. (CII or School)	Amount Requested:	Not to exceed 15,000,000
Applicant Description:	A California non-profit corporation serving at-risk children and families throughout Los Angeles County.	Date of Board Meeting:	August 25, 2009
		Type of Issue:	New Issue
		Resolution Number:	09-32
Project Site:	2117-2121 W. Temple Street & 424 N. Lake Street, Los Angeles, CA	Prepared by: Paula Connors and Andrea Kennedy	
Project Description:	The project (Project) involves financing the acquisition and renovation of property located at 2117-2121 W. Temple Street & 424 N. Lake Street, Los Angeles, CA to include: one 35,167 square-foot building and one 10,370 square foot building to provide a blend of clinical, educational and community services in an area of extremely high need and low resources.		
Uses of Bond Proceeds:	Bond proceeds will be used to pay the costs of the Project, a bond reserve account, and issuance costs, including the Cal Mortgage Loan Insurance premium.		
Public Benefits:	Children's Institute, Inc. provides programs and services that focus on healing children harmed by abuse or neglect, helps families provide nurturing homes, and provides leadership in developing innovative programs that contribute to the welfare of children nationwide. Eighty-eight percent of the clients served report an annual income of less than \$17,000. Almost all clients are Medi-Cal eligible. CII expects to create 30 new jobs as a result of the Project.		
Financing Structure:			
Type of Issue:	Publicly-offered fixed-rate demand bonds in minimum denominations of \$5,000.		
Tax Status:	Tax-exempt 501(c)(3) loan.		
Term:	Not to exceed ten (10) years.		
Credit Enhancement:	Loan insurance from Cal-Mortgage Loan Insurance.		
Credit Rating:	Expected "A-1" by Standard & Poor's based upon the State of California's credit rating.		
Est. Sources of Funds:		Est. Uses of Funds:	
Par amount of the bonds	\$15,000,000	Project Costs	\$21,700,000
Equity contribution, Capital	10,616,390	Debt Service Reserve Fund	2,957,500
Campaign		Costs of Issuance	958,890
TOTAL SOURCES	\$25,616,390	TOTAL USES	\$25,616,390
Financing Team:			
Bond and Disclosure Counsel:	Orrick, Herrington & Sutcliffe LLP		
Underwriter:	Merrill Lynch		
Trustee:	U. S. Bank		
Staff Recommendation:			
Staff recommends approval of Resolution 09-32 for an amount not to exceed \$15,000,000 for Children's Institute, Inc.			

BACKGROUND AND HISTORY

Children's Institute, Inc. (CII) is a non-profit organization with facilities in the cities of Los Angeles and Torrance that provide programs and services that focus on healing children harmed by abuse or neglect, helping families provide nurturing homes, and advancing innovative programs that contribute to the welfare of children nationwide.

Founded in 1906 by Minnie Barton, the City of Los Angeles' first female patrol officer, the original organization was named The Big Sister League (League) and was designed to help troubled young women. Changing social conditions in the 1960s and '70s resulted in the development of the organization's current center-based and community-based child-care programs. In 1980, the League began receiving state funding to provide child abuse prevention, intervention and treatment services. The core elements of these programs are intensive psychotherapy, parent education groups, in-home parent aides, court evaluations and testimony.

In 2006, marking the organization's 100th year, the League's name was changed to Children's Institute, Inc. At that time, the organization committed to doubling the number of children and families reached and expanding its programs and facilities.

Over the past 25 years, CII has doubled its staff and quadrupled the number of children and families served, reaching more than 17,000 children and families a year. During the same period, the annual budget has grown from nearly \$1 million to \$29 million.

GOVERNANCE AND MANAGEMENT

CORPORATE OFFICERS	
Mary Emmons	President & Chief Executive Officer
Steve Ambrose, Ph.D.	Senior Vice President, Leadership Center
Jo Dennis, Ph.D.	Senior Vice President, Programs
Kendis Marcotte	Senior Vice President, Finance & Administration
Mark Engel	Vice President, CFO
Hershel Swinger, Ph.D.	Senior Vice President Clinical Services, Emeritus
Jeffrey Catania, Ph.D.	Senior Vice President, Development

See Attachment A for a list of the Board of Trustees.

PROJECT DESCRIPTION

Proceeds will be used to finance a third, all-inclusive facility located at 2117-2121 W. Temple Street and 424 N. Lake Street, Los Angeles, including one 35,167 square-foot building and one 10,370 square foot building (Project). The Project, known as the Otis Booth Campus, is scheduled to open in 2010, and will provide a blend of clinical, educational and community services in an area of extremely high need and low resources. The site will be an open, child and family-centered environment that facilitates family enrichment and support. (See Attachment B – Site Pictures and Renderings.)

The vacant buildings were purchased in 2006, and will be renovated to provide:

- Treatment Areas to include therapy rooms, observation rooms, and a child and family assessment center;
- Prevention Resources to include a family learning center, a family health center and grandma's house;
- Early Childhood Programs to include classrooms, parent room, school readiness center and play therapy rooms;
- Leadership Training and Research to include a professional library and reading room, observation rooms and classrooms ;and
- Community Programs and Services to include art rooms, computer lab, children's library, family nutrition center, youth center, performance and meeting space, mentoring resource center, community café, garden space, and a basketball court.

CII plans to obtain LEED certification based on site selection, alternative transportation options, light pollution reduction, water efficient landscaping, building reuse, and green education programs.

FINANCING STRUCTURE

CII is requesting approval for the issuance of bonds (Bonds) in an amount not to exceed \$15,000,000. Payment of principal and interest on the Bonds will be enhanced by loan insurance provided by Cal-Mortgage Loan Insurance (Cal-Mortgage), a Division of the Office of Statewide Health Planning and Development. Cal-Mortgage provides credit enhancement in the form of loan insurance for eligible healthcare facilities for capital needs. Cal-Mortgage insured loans are guaranteed by the "full faith and credit" of the State of California, allowing borrowers to obtain lower interest rates. It is expected that the Bonds will carry a rating of "A-1" from Standard and Poor's, based upon the State of California's credit rating.

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds except for the I-Bank. The Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting of repayments of the loan provided for in a loan agreement between the I-Bank and CII.

PUBLIC BENEFITS

CII helps children who have been affected by violence in their homes or communities. CII currently serves over 17,000 children and families each year, reaching only a fraction of those in need. The Otis Booth Campus will allow CII to expand its programs and facilities to reach more of those in need.

Children will have access to counseling as well as programs focusing on arts and theater, mentoring, after-school, youth leadership and sports. Parents will have access to classes in parenting as well as financial literacy, nutrition, ESL and physical exercise.

CII offers more than 25 direct service programs including:

- Project Fatherhood – helps fathers become more involved in the lives of their children.
- Project Erin – responds with police to domestic violence calls.
- The Child Trauma Treatment Center – develops research-based approaches for treating children who have been traumatized by violence.

Eighty-eight percent of the clients served at CII report an annual income of less than \$17,000. The demographic profile of the 17,000 children and families served in 2008 is:

- 66% Latino
- 20% African American
- 7% Caucasian
- 2% Asian/Pacific Islander
- 2% Biracial
- 3% Other

The Otis Booth Campus will employ approximately 145 full time staff, an estimated 30 of which will be new employees. New staff positions will include two program managers, five new teaching positions, 17 new mental health positions and six administrative positions.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits are required and have been obtained.
TEFRA	
Date of TEFRA	August 25, 2009
Publications	<i>The Sacramento Bee</i> <i>Los Angeles Times</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The Project is in the State of California. 2. CII is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the Bonds, based upon loan insurance from the Cal-Mortgage Loan Insurance Program. Payments to be made by CII to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the Bonds. 3. The proposed financing is appropriate for the Project. 4. The Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 09-32, for an amount not to exceed \$15,000,000 for Children's Institute, Inc.

ATTACHMENT A–Board of Trustees

Mr. Raul E. Alvarado, Chairman of the Board
Mr. Charles P. Diamond, Vice Chairman
Tracey Gluck, Treasurer
Ms. Susan Adamson, Secretary
Mr. Samaan Bakar
Ms. Loren Booth
Mrs. Colleen Bell
Mrs. Catherine Beyer
Ms. Christina J. Caruso
Mrs. Mary C. Collins
Mr. Michael Dart
Mr. Hugh Evans, III
Mrs. Janet Fourticq
Mr. Ahmad Gramian
Ms. Rochelle Gores Fredston
Ms. Marcia W. Hobbs
Mr. Paul R. Kanin
Mr. Ben Kohn
Ms. Elizabeth Leanse
Ms. Suzanne Marx
Mr. Douglas H. McKellar, Jr.
Mr. Charles S. Nelson

ATTACHMENT B—Site Pictures and Renderings



Children's Institute, Inc. headquarters



Otis Booth Campus building – current picture



Otis Booth Campus building outside surrounding fence – current picture



Rendering of front of both buildings



Rendering close up of front of building



Rendering of Community Programs and Services area